

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

GLOBAL RESELLER EXPEDITED PACKAGE
CONTRACTS

Docket No. MC2023-46

**REQUEST OF THE UNITED STATES POSTAL SERVICE FOR
CLASSIFICATION CHANGES CONCERNING
GLOBAL RESELLER EXPEDITED PACKAGE CONTRACTS AND
NOTICE OF FILING MATERIALS UNDER SEAL**
(November 10, 2022)

Pursuant to 39 C.F.R. §3040.180, the United States Postal Service (Postal Service) hereby submits to the Postal Regulatory Commission (Commission), a request for changes to subsection 2510.7 Global Reseller Expedited Package Contracts of the Mail Classification Schedule (MCS). The proposed changes conform with the elimination of Priority Mail Regional Rate Boxes that is set forth in Governors' Decision No. 22-6 and is included in the Postal Service's Notice of Changes in Rates and Classifications of General Applicability for Competitive Products that was filed on November 10, 2022, in Docket No. CP2023-42. The proposed changes to MCS subsection 2510.7 are intended to take effect on January 22, 2023.¹

Pursuant to 39 C.F.R. § 3.4(g), this Request is authorized by the Governors, who, in Governors' Decision No. 19-1 (included as Attachment 1 in this filing) authorized management "to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to make all necessary regulatory

¹ USPS Notice of Changes in Rates and Classifications of General Applicability for Competitive Products, Docket No. CP2023-42, November 10, 2022.

filings with the Postal Regulatory Commission.”² An Application for Nonpublic Treatment, with respect to Governors’ Decision No. 19-1, is included as Attachment 2. Attachment 3 to this Request includes a copy of MCS section 2510.7 Global Reseller Expedited Package Contracts, with the proposed changes in legislative format.

I. Supporting Justification for the Proposed Changes to MCS section 2510.7 Global Reseller Expedited Package Contracts

The paragraphs below provide the supporting justification.

- (1) Description of, and rationale for, the proposed changes to the product description (39 C.F.R. § 3040.181(a))*

The proposed changes would remove all mentions of Priority Mail international Regional Rate Box from MCS section 2510.7 Global Reseller Expedited Package Contracts.

As background, MCS subsection 2510.7 currently states that Global Reseller Expedited Package Contracts provide discounted prices to a reseller for a number of the Postal Service’s international products, as well as for Priority Mail International Regional Rate Boxes (PMI RRB). However, in accordance with Governors’ Decision No. 22-6, in the Postal Service’s notice filed on November 10, 2022, in Docket No. CP2023-42, “the Priority Mail Regional Rate Boxes will be eliminated,” effective January 22, 2023.³ Thus, all mentions of Priority Mail International Regional Rate Boxes should be removed from MCS subsection 2510.7, effective January 22, 2023 as

² See Attachment 1, Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (Governors’ Decision No. 19-1), at 1-2.

³ See Decision of the Governors of the United States Postal Service on Changes in Rates and Classifications of General Applicability for Competitive Products (Governors’ Decision No. 22-6), in USPS Notice of Changes in Rates and Classifications of General Applicability for Competitive Products, Docket No. CP2023-42, November 10, 2022.

the Postal Service will no longer offer the mailing containers necessary to coincide with any rates charged for international RRB service.

- (2) *Explain why, as to market dominant products, the changes are not inconsistent with the policies and the applicable criteria of chapter 36 of title 39 of the United States Code, the applicable requirements of 39 C.F.R. part 3040, and any applicable Commission directives and orders (39 C.F.R. § 3040.181(b)(1))*

Not applicable because this Request concerns a competitive product.

- (3) *Explain why, as to competitive products, the changes will not result in the violation of any of the standards of 39 U.S.C. 3633 and 39 C.F.R. part 3035 (39 C.F.R. § 3040.181(b)(2))*

The changes will not result in the violation of any of the standards of 39 U.S.C. § 3633. Because there are no Global Reseller Expedited Contracts currently in effect that include prices for Priority Mail International Regional Rate Boxes, the changes would not result in the subsidization of competitive products by market-dominant products, should not affect the extent to which Global Reseller Expedited Package Contracts covers its attributable costs, and should not affect total competitive product revenue and thereby would not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs in accordance with 39 U.S.C. § 3633(a)(3). Thus, the changes will not result in the violation of any of the standards of 39 U.S.C. § 3633 and 39 C.F.R. Part 3035.

- (4) *Describe the likely impact that the changes will have on users of the product and on competitors (39 C.F.R. § 3040.181(c))*

Because Priority Mail Regional Rate Boxes are being eliminated as set forth in Governors' Decision No. 22-6, these changes to the MCS section 2150.7 will not

significantly change the user experience with Global Reseller Expedited Package Contracts. Currently, there are no Global Reseller Expedited Package Contracts in effect that include prices for Priority Mail International Regional Rate Box. Also, there is no evidence that the proposed changes will significantly impact competitors. In addition, the changes will improve the accuracy of the information in subsection 2510.7 of the MCS to the benefit of the Postal Service, the Commission, and the customer.

Conclusion

The Postal Service therefore requests that changes be made to the MCS, as discussed above.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR DOMESTIC COMPETITIVE AGREEMENTS, OUTBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, INBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, AND OTHER NON-PUBLISHED COMPETITIVE RATES (GOVERNORS' DECISION NO. 19-1)

February 7, 2019

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices.

This decision establishes new prices for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates. Domestic Competitive Agreements consist of negotiated service agreements with Postal Service customers for domestic services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Inbound International Competitive Agreements consist of negotiated service agreements with foreign postal operators or other entities for inbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Other Non-Published Competitive Rates consist of rates not of general applicability that are not embodied in contractual instruments.

With respect to any product within the above categories, management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to make all necessary regulatory filings with the Postal

Regulatory Commission. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

The Postal Accountability and Enhancement Act (PAEA) requires that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. For agreements subject to this Decision, there are hereby established prices that will enable each agreement to cover at least 100 percent of the attributable costs for the relevant product and that conform in all other respects to 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. As discussed in the accompanying management analysis, the Chief Financial Officer (or his delegate(s)) shall certify that all cost inputs have been correctly identified for prices subject to this Decision and that all prices subject to this Decision conform to this Decision and to the requirements of the PAEA.

No agreement, grouping of functionally equivalent agreements, or other classification authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 U.S.C. § 3632(b)(3). On a semi-annual basis, management shall furnish the Governors with a report on all non-published rate and classification initiatives, as specified in the accompanying Management Analysis. Not less than once each year, the Governors shall review the basis for this Decision and make such further determination as they may deem necessary. This Decision does not affect postal management's obligation to furnish to the Board of Governors information regarding any significant new program, policy, major modification, or initiative, or any other matter under 39 C.F.R. § 3.7(d), including where such a matter also falls within the scope of this Decision.

This Decision supersedes previous Governors' Decisions setting classifications and rates not of general applicability for competitive products; however, prices and classifications established under those Decisions may continue to be offered until the expiration of their terms, and contractual option periods and extension provisions that are included in the existing and future agreements can continue to be exercised.

ORDER

In accordance with the foregoing Decision of the Governors, the new prices and terms set forth herein for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement or other nonpublished rate and classification initiative is authorized under this Decision only if the prices fall within this Decision and the certification process specified herein is followed. Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of any necessary review by the Postal Regulatory Commission.

By The Governors:

A handwritten signature in cursive script, appearing to read "Robert M. Duncan", is written over a horizontal line.

Robert M. Duncan

Chairman, Board of Governors

Attachment A

Management Analysis of Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates

This analysis concerns the inbound competitive prices and classifications in the Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (collectively, "competitive instruments"). Competitive instruments are often negotiated with customers and foreign postal operators for better cost coverage, higher overall contribution, and improved service with respect to postal services classified as competitive. They may also arise from other sources, such as the Universal Postal Convention.

The cost coverage for each competitive agreement or grouping of functionally equivalent instruments (collectively, each "product") will be [REDACTED]

[REDACTED]

The cost coverage for a product equals [REDACTED]

[REDACTED]

[REDACTED]

Each competitive instrument may have multiple price categories and negotiated components. Examples of such categories or components would be Priority Mail, Priority Mail Express, Parcel Return Service, Parcel Select, First-Class Package Service, First Class Package International Service, Commercial ePacket Service, Priority Mail International, Priority Mail Express International, International Priority Airmail, International Surface Air Lift, Inbound Parcel Post, Inbound Direct Entry, and Inbound EMS services. These or other categories may include other services that the relevant customer or foreign postal operator offers to its customers under differing terms, but that nevertheless are processed and delivered in the same manner within the United States Postal Service's network. Such instruments may also establish negotiated rates for services ancillary to such items and for customized competitive services developed for application solely in the context of the agreement.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Prices

established by these formulas should not interfere with competitive products' ability as a whole to comply with 39 U.S.C. §3633(a)(3), which, as implemented by 39 C.F.R. § 3015.7(c), requires competitive products to contribute a minimum percentage to the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products should arise from 39 U.S.C. §3633(a)(1).

The Postal Service shall submit a semi-annual report to the Governors. The report shall include information on the cost coverage for each agreement or initiative that has been executed under the authority of Governors' Decision 19-1. Agreements classified as non-published rates or rate ranges may be reported as a collective grouping; all other agreements or initiatives are to be reported separately. The report shall also include cost coverage information on any agreements and nonpublished initiatives established under previous numbered Governors' Decisions and Resolutions.

**UNITED STATES POSTAL SERVICE
OFFICE OF THE BOARD OF GOVERNORS
CERTIFICATION OF GOVERNORS' VOTE ON
GOVERNORS' DECISION NO. 19-1**

Consistent with 39 USC 3632(a), I hereby certify that the following Governors voted in favor of Governors' Decision No. 19-1:

Robert M. Duncan
David C. Williams



Michael J. Elston
Secretary of the Board of Governors (A)

7 February 2019

Date

APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3011, the United States Postal Service (Postal Service) hereby applies for non-public treatment of the unredacted Governors' Decision included with this filing. The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3011.201(b), as enumerated below.

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

(1) The rationale for claiming that the materials are non-public, including the specific statutory provision(s) supporting the claim, and an explanation justifying application of the provision(s) to the materials.

The materials designated as non-public consist of information of a commercial nature, which under good business practice would not be publicly disclosed. In the Postal Service's opinion, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3).¹ Because the portions of materials filed and to be filed non-publicly in this docket fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support the Postal Service's determination that these materials are exempt from public disclosure and grant the Postal Service's application for their non-public treatment.

Information of a commercial nature, which under good business practice would not be publicly disclosed, as well as third party business information, are not required to be disclosed to the public. 39 U.S.C. § 410(c)(2); 5 U.S.C. § 552(b)(4). The

¹ In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g) (3) (A).

Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C.

§ 504(g)(3)(A).² Because the portions of materials filed non-publicly in this docket fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

- (2) A statement of whether the submitter, any person other than the submitter, or both have a proprietary interest in the information contained within the non-public materials, and the identification(s) specified in paragraphs (b)(2)(i) through (iii) of this section (whichever is applicable). For purposes of this paragraph, identification means the name, phone number, and email address of an individual.³**

The Postal Service believes that there are no third parties that have a proprietary interest in the materials, because the materials submitted do not include specific proprietary information of any third party.

- (3) A description of the information contained within the materials claimed to be non-public in a manner that, without revealing the information at issue, would allow the Commission to thoroughly evaluate the basis for the claim that the information contained within the materials are non-public.**

Governors' Decision No. 19-1 is being filed under seal in this docket. A redacted copy of the Governors' Decision, which is in accordance with Order No. 5553 in Docket

² The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

No. CP2020-120,⁴ is being filed publicly in this docket. The Postal Service maintains that the redacted portions of the Governors' Decision should remain confidential.

The redacted portions of the Governors' Decision protect the costs authorizing International Competitive contracts, and the analysis of those costs.

(4) Particular identification of the nature and extent of the harm alleged and the likelihood of each alleged harm alleged to result from disclosure.

If the redacted information were to be disclosed publicly, the Postal Service considers that it is quite likely that it and the customer would suffer commercial harm. The information is commercial sensitive, and the Postal Service does not believe that it would be disclosed under good business practices.

Revealing this information would provide a competitive advantage to competitors of the Postal Service. The Postal Service considers that it is highly probable that if this information were made public, such entities would take immediate advantage of it and there is a substantial risk that the Postal Service would lose business as a result. Additionally, postal customers could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

(5) At least one specific hypothetical, illustrative example of each alleged harm.

Identified harm: Public disclosure of the price formula, underlying cost structure, and information in Governors' Decision No. 19-1 would be used by competitors and customers to the detriment of the Postal Service.

⁴ Notice of the United States Postal Service in Compliance with Order No. 5553, Docket No. CP2020-120, June 24, 2020.

Hypothetical: A competing package delivery service or its representative obtains a copy of the unredacted version of Governors' Decision No. 19-1 . It analyzes the decision to determine what the Postal Service would have to charge its customers to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. The competing package delivery service then sets its own rates for products similar to what the Postal Service offers its customers under that threshold and markets its ability to guarantee to beat the Postal Service on price for similar delivery services.

(6) The extent of the protection from public disclosure alleged to be necessary.

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for parcel and expedited services, as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products should not be provided access to the non-public materials.

(7) The length of time for which non-public treatment is alleged to be necessary with justification thereof.

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless otherwise provided by the Commission. 39 C.F.R. § 3011.401(a). However, because the Postal Service's relationships with customers often continue beyond ten years or decades, the Postal Service intends to oppose requests for disclosure of these materials pursuant to 39 C.F.R. § 3011.401(b-c).

(8) Any other relevant factors or reasons to support the application.

None.

Conclusion

For the reasons discussed, the Postal Service asks that the Commission grant the Postal Service's application for non-public treatment of the identified materials.

CHANGES TO THE MAIL CLASSIFICATION SCHEDULE (MCS)

(Additions are underlined and deletions are marked with strike-through)

PART B

COMPETITIVE PRODUCTS

* * * * *

2000 COMPETITIVE PRODUCT LIST

* * * * *

2510 Outbound International

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2510.7 Global Reseller Expedited Package Contracts

2510.7.1 Description

- a. Global Reseller Expedited Package Contracts provide discounted prices to a reseller for Global Express Guaranteed (GXG), Priority Mail Express International (PMEI), Priority Mail International (PMI), and Outbound Single-Piece First-Class Package International Service (FCPIS), ~~and Priority Mail International Regional Rate Boxes (PMI RRB)~~ for destinations serviced by GXG, PMEI, PMI, and FCPIS. The reseller offers prices based on its contract to its customer (reseller's customers).
- b. Preparation requirements are the same as for all GXG, PMEI, PMI, and FCPIS shipments with the following exceptions:

* * * * *

- ~~Mail preparation requirements for PMI RRB are similar to those required for a PMI Medium Flat Rate Box shipment, except that the mailer must use a Priority Mail Regional Rate Box A, B, or C with the specified markings, subject to size and weight limitations specific to PMI RRB that are set forth in the applicable Global Reseller Expedited Package Contract.~~

* * * * *

2510.7.2 Size and Weight Limitations

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Priority Mail International Regional Rate Box¹

	Length	Height	Thickness	Weight
Regional Rate Box A ¹	Outside dimensions: Top Loaded: 10.125 x 7.125 x 5.0 inches Side Loaded: 13.0625 x 11.0625 x 2.5 inches			10 pounds
Regional Rate Box B ¹	Outside dimensions: Top Loaded: 12.25 x 10.5 x 5.5 inches Side Loaded: 16.25 x 14.5 x 3 inches			20 pounds
Regional Rate Box C ¹	Outside dimensions: Top Loaded: 15 x 12 x 12 inches			20 pounds

Notes

1. ~~Notwithstanding any marking on the package for domestic service, size, and weight limitations.~~

2510.7.3 Minimum Volume or Revenue Requirements

The reseller must commit to varying minimum volumes or postage of GXG, PMEI, PMI, and/or FCPIS, ~~and/or~~ PMI RRB on a quarterly or annualized basis.

2510.7.4 Price Categories

* * * * *

The following price categories are available for the product specified in this section:

* * * * *

- ~~Global Reseller Expedited Package Contract — Priority Mail International Regional Rate Box~~

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